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PROGRESS REPORT ON THE ACP-EEC NEGOTIATIONS FOR A SUCCESSOR AGREEMENT TO THE LOME II CONVENTION

(Note by the Secretariat)

TABLE OF CONTENTS

		Paragraphs
I.	INTRODUCTION	1 - 2
II.	PLATFORM FOR NEGOTIATIONS	3 - 8
III.	MAJOR ISSUES OF INTEREST TO AFRICAN COUNTRIES	9 - 29
	(a) International trade, commodities and Stabex	9 - 13
	(b) Agricultural co-operation, integrated rural development, food self-sufficiency and food security	14
	(c) Development of mineral resources, energy and Sysmin	15 - 18
	(d) Industrial development, fisheries resources development, technology and tourism	19 - 22
	(e) Financial and technical co-operation	23
	(f) Least developed, land-locked and island countries, transport and communications	24
	(g) Social conditions, research, training ACP/EEC cultural co-operation, intra-ACP and regional co-operation	25 - 29
IV.	ASSISTANCE TO THE AFRICAN GROUP IN THE ACP	30 - 34
V.	CONCLUSION	35 - 38

I. INTRODUCTION

1. The Second Convention of the African, Caribbean and Pacific (ACP) and European Economic Community (EEC) which was signed in Lome on 31 October 1979 is due to expire in February 1985. The Lome II Convention represents contractual relations over a period of years with countries of different sizes, circumstances and economic and social systems. It involves a range of instruments established by common accord as a result of negotiations related to specific circumstances and needs. The negotiations of a Successor Arrangement to the Lome II Convention were launched at the ministerial meeting held in Luxembourg on 7 October 1983. The second ministerial negotiating meeting took place in Brussels from 9 to 10 February 1984.

2. The purpose of this report is to summarize briefly the progress which has been made and the stage which has been reached in such negotiations.

II. PLATFORM FOR NEGOTIATIONS

3. The process of negotiating the Successor Arrangement is conducted at two levels: (a) Ambassadorial and (b) ministerial. The discussions have so far proceeded rather slowly. Perhaps this was inevitable in view of the problems and the need by each of the parties to assess and adequately prepare their respective negotiating positions.

4. The two negotiating parties have agreed to discuss the main points under the following subject groupings:

Group 1. Agricultural Co-operation, Integrated Rural Development Food self-sufficiency and Food Security;

2. Trade, Commodities and Stabex[1/];

3. Development of Mineral Resources and Sysmin[2/];

4. Industrial Development, Transfer of Technology, Fisheries Resources Development and Tourism;

5. Financial and Technical Co-operation;

1/ Stabilization of Export Earnings.

2/ System of Stabilization of Minerals.

Group 6. Customs Co-operation and Rules of Origin;

7. Least Developed, Land-locked and Island Countries, Transport and Communications;

8. Social Conditions, Research, Training, ACP/EEC Cultural Co-operation and Intra-ACP and Regional Co-operation;

9. Institutional and Legal.

5. The negotiations are scheduled to be completed by or before the expiry of the current Convention. There is a general understanding which takes account of the need for smooth transition without a break from the old to the new Convention. However, this is an objective which can only be achieved if the parties are able to show a greater degree of compromise and accommodation on the issues being negotiated.

6. The negotiations are generally conducted through spokesman both at ambassadorial and ministerial levels. The ACP Group has in certain cases appointed more than one spokesman for some of its negotiating groups.3/ On the other hand, the EEC has tended to aggregate two or more group subjects under one spokesman.

7. Despite the absence of hard statistical data on the group positions, it has become quite clear that major differences of views exist between the ACP and the EEC. The fate of the negotiations will depend upon the degree of flexibility and accommodation which can be displayed in resolving some of the divergencies.

8. The negotiations between the ACP and the EEC had not yet started in all areas by the time of the Second ACP-EEC Ministerial Meeting of February 1984. What actually took place was merely to enable the meeting to get a first impression on some of the main issues on which there is concern on either side.

III. MAJOR ISSUES OF INTEREST TO AFRICAN COUNTRIES

(a) Trade, commodities and Stabex

(i) International trade

9. The development and expansion of trade is the central theme of the ACP/EEC relationship. During the period since coming into operation of Lome II Convention, statistics show that the share of ACP countries' trade in the EEC has declined

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3/ As of January 1984, the following African countries were agreed as part of ACP ministerial spokesmen for the groups indicated: Zimbabwe, Cameroon, Mauritius, Mali and Sudan. No agreement had as yet been reached between Botswana, Guinea and Zaire in respect of spokesmanship for negotiating area dealing with the Development of Mineral Resources, Energy and Sysmin. Spokesmen had also not been selected for part of negotiating group 8 and for negotiating group 9.

whereas that of non-ACP countries has been on the increase. The main interest in this area for the African Group and the ACP in general can be summarised to imply inter alia an increase in the earning capacity for the ACP exports into the EEC. At the same time, ensuring that the prices obtained for ACP exports and especially the value thereof are not eroded through inflation even if this cannot be directly blamed on the EEC states. It therefore can be observed that issues to be negotiated deal with aspects of export quantities, composition, value and fair price rates.

10. The EEC's response stresses that the Convention give ACP exports duty-free entry and that it adopts contractual approach to the issues and does not impose conditionality for ACP. The decline in the ACP share of trade is therefore largely due to the loss of competitiveness by the ACP themselves. The EEC therefore holds the view that ACP countries have not been able to take advantage of the duty-free entry provisions because their products cannot compete with those of the other developing countries. In other words, the ACP countries are urged to improve their competitiveness.

(ii) Commodities

11. In the case of commodities, the main concern of the ACP is diversification of the composition of their commodity exports to include non-primary agricultural and mineral products notwithstanding the provisions of duty-free entry. Consequently, the ACP negotiators are drawing the attention of the EEC partners to some of the adverse effects of non-tariff barriers (NTBs).

(iii) Stabex

12. The scheme for Stabilization of Export Earnings (Stabex) has generated one of the most heated debates. The system was originally introduced under the Lome I Convention with a small number of products. The Stabex list of products under the Lome II Convention was increased to 44 products (including iron ore). ACP/EEC trade under the two Convention periods covering Stabex products has not faired all that well. For instance, EEC imports from the ACP countries of main Stabex products between 1971 and 1981 with the excention of coffee (4.6%) and tea (3.4%) recorded negative average annual growth rates: groundnuts (-23.3%); oil (-7.1%); wood (-4.4%); and cotton (-1.9%).

13. The ACP countries are dissatisfied both in terms of the funds allocated to Stabex as well as its product coverage. The amount of ECU 550 million has been earmarked for the Lome II Convention period for Stabex in order to compensate ACP countries as a result of falling export receipts. They have stressed the need for revision of the system in terms of its resource portofolio and the method used for reimbursement of claims. For instance, out of 58 ACP countries who submitted claims in 1982 only 35 countries benefitted. But even then the amounts actually received were far less than had been expected by the countries concerned.

(b) Agricultural co-operation, integrated rural development, food self-sufficiency and food security

14. The issues being negotiated with regard to agricultural co-operation stress the need for an integrated approach to agricultural development. In particular the ACP have defined their negotiating strategy stressing the following three aspects:

(i) the improvement of the present food situation of ACP countries, especially food self-sufficiency and food security;

(ii) the inadequacy of the provisions of Lome II to deal with obstacles to integrated rural development; and

(iii) the ACP positions and proposals regarding the global and operational objectives to be included in the successor arrangement.

(c) Development of Mineral Resources, Energy and Sysmin

15. In the case of minerals, the Lome II Convention stressed the inter-dependence between the ACP and the EEC. For instance, some ACP States derive between 40 and 90 per cent of their foreign exchange earnings from their mineral exports. On the other hand, the EEC are also highly dependent on imports of many of the crucial mineral raw materials from the ACP States which form inputs into their important economic sectors such as engineering and high technology manufacturing. It is therefore expected that the successor agreement would take full account of the mining industry and its role on Africa's development.

16. The analysis carried out by the ACP reveals among other things that there was a tendency under the provisions of the Lome II Convention to give more prominence to the system of stabilization of minerals (Sysmin) than to the general development of mineral resources. It is partly for this reason, among others, that in negotiating a Successor Arrangement, the ACP intend treating Sysmin as one of the instruments of mineral development. Consequently, the ACP wishes to look at the subject under the following three broad categories: (i) established mining operations; (ii) known mineral processing; and (iii) manufacturing of mineral products.

17. Provisions in the Convention, especially its Article 51 indirectly militate against development of a self-reliant and self-sustaining mining sector of the ACP countries. It imposes serious constraints to the extent that it requires beneficiaries of Sysmin among the ACP countries to export to none other than to the EEC. There is also no provision made for intra-ACP trade in minerals to benefit from Sysmin.

18. Similarly, energy is to be discussed in terms of traditional and new traditional forms to include electricity and oil, and in terms of renewable forms of energy such as biomass, wind and solar energy.

(d) Industrial development, fisheries resources development, technology and Tourism

(i) Industrial co-operation

19. Currently, the ACP negotiators seem to give the impression that the provisions of Lome II Convention were fairly adequate to meet the needs for industrial co-operation. However, the new convention should attempt: (a) to provide for additional means and resources for the implementation of those provisions and (b) to develop institutions such as the Centre for Industrial Development to promote industrial manufacturing. The European Investment Bank, should be persuaded to improve the implementation of those provisions to make the ACP economies attain self-sustained growth.

(ii) Fisheries resources development

20. A major problem in which the ACP are trying to prepare a negotiating strategy pertains to the narrow definition of originating products in relation to this item. This problem is also examined under Customs Co-operation and Rules of Origin.

(iii) Tourism

21. The start of negotiations on this subject was mutually agreed between the ACP and EEC as of March 1984. In the meantime, the ACP aims to study Stabex-like compensatory mechanism for losses in tourism.

(iv) Transfer of technology

22. The ACP had yet to define its negotiation strategy nor has any contacts been held with the EEC.

(e) Financial and technical co-operation

23. The major areas of concern from the stand point of the ACP and on which negotiations are to be centred include:

(i) the entire financial package which in terms of resources made under the Convention had proved to be inadequate and additional resources should be provided;

(ii) decreased in aid which was a combined result of erosion through inflation, lack of automatic adjustment mechanism to take account of population growth;

(iii) the "Multiplier effect" of EEC aid on EEC's own economy - implying that the ACP States spent several times more of the aid amount under the Lome II Convention in purchasing goods, equipment, services from the EEC markets

(f) Least-developed, land-locked and island countries, transport and communications

24. Issues concerning the inclusion of the issue of LDCs in a Successor Arrangement are of particular significance to the African States, members of the ACP. So far, progress has been confined to preparatory work at the ACP ambassadorial level. The position of the ACP and the strategy to be adopted have yet to be crystalized.

(g) Social conditions, research, training, ACP/EEC cultural co-operation, intra-ACP and regional co-operation

(i) Social conditions, research, training, ACP/EEC cultural co-operation

25. The ACP has proposed that the Community's contribution towards promoting ACP human resources should be backed up by an integrated programme for education, training, research information and communications with account being taken of the socio-cultural characteristics of the ACP populations. Furthermore, they argue that the new convention should be directly related to the agricultural and industrial development of the ACP States.

26. The problem of students and migrants which were unresolved in the context of the Lome II Convention should be accorded high priority in the new agreement.

(ii) Intra-ACP and regional co-operation

27. An issue of major concern that also emerges from the Lagos Plan of Action is collective self-reliance. The point to stress is that although the provisions in the Lome II Convention made reference to the importance of intra-ACP and regional co-operation, only a nominal amount of EEC resources were earmarked for the purpose of enhancing regional co-operation. The Commission's recent memorandum on the Community's Development Policy indicated that it would propose measures to encourage regional co-operation for possible incorporation into a Successor Arrangement of Lome II Convention.

28. An area of divergence is the interpretation given to dialogue sur les politiques (policy dialogue) as seen from the point of view of the EEC and the ACP and has contributed to great confusion and misunderstanding. The EEC's interpretation seems to imply that they see to be involved in the decisions on national development policies of the ACP as part of the aid package. From the standpoint of the ACP, the introduction of the policy dialogue seems to be considered as inappropriate and contrary to respect for the sovereign rights of their states. The ACP believes that in introducing debate on this subject by the EEC, the latter are trying to assume a role of overseeing and dictating the formers' domestic policies. The EEC has been at pains to explain that their motive is not to interfere with the national policy machinery of the ACP states but rather to gain a better appreciation of their ACP partners' positions. The ACP has maintained that if the policy dialogue were to be accepted as an aspect of the new convention, it should also involve the development policy of the EEC countries. At the same time, the ACP would like to include under such debate the issue of apartheid in South Africa whose economy the EEC continues to support. The ACP sees the support of South Africa by the EEC as support for an apartheid policy and as contradictory to the spirit and letter of the Convention and Successor Arrangement being negotiated.

29. The other issues which the ACP would like to resolve in a Successor Convention have been identified to include: (i) conferring on the ACP states the right ultimately to determine what should be regional projects; (ii) broadening the definition of regional co-operation in order to reflect the multi-facet membership of the ACP countries; (iii) ensuring that handling of commitments out of regional allocations is in line and pays attention to the priorities established by the ACP regional groupings.

IV. ASSISTANCE TO THE AFRICAN GROUP IN THE ACP

30. Pursuant to the mandates given to the Secretary-General of the Organization of African Unity (CM/Len/Res.5(XL)) and the Executive Secretary of the United Nations Economic Commission for Africa (resolution 471(XVIII), the secretariats have been providing technical backstopping to the African Group at the negotiations. More supported work will continue to be undertaken by the two secretariats as the negotiations approach the finalization stages.

31. In this connection, the OAU secretariat has taken steps in strengthening its office in Brussels with the deployment of additional personnel in order to cope with the envisaged increase in the workload. At the sametime, an Assistant Secretary-General went to Brussels to strengthen the support given to the African negotiators and also held discussions with the EEC Commission.

32. On the other hand, the Executive Secretary of ECA held discussions with the Director-General for Development in the EEC Commission stressing the African dimension of past, present and future ACP-EEC relations. The Executive Secretary has also made available senior staff of the secretariat during the ACP-EEC ministerial meeting since the launching of the negotiations, especially in May and October 1983 and again in January and February 1984.

33. In terms of technical backstopping, the ECA secretariat has prepared the following documents:

(a) Comments on the ACP Draft Memorandum for the Negotiations for the Successor Arrangement to Lome II Convention, E/ECA/TRADE/8;

(b) Stabilization of Export Earnings (Stabex) under the ACP-EEC Convention of Lome II: A Preliminary Appraisal;

(c) Suggested Negotiating Strategies and Techniques on Regional and Intra-ACP Co-operation, ACP--/-/NEG;

(d) Suggested Institutional Machinery for Regional and Intra-ACP Co-operation, ACP/00114/84 NEG (Annex);

(e) Questions of Guaranteed Markets and Remunerative Prices for Exports of ACP Products, ACP/00113/84 NEG (Suppl.).

34. The secretariats continue to monitor the progress of the negotiations through regular contacts with the ACP secretariat in Brussels. They plan to be available to provide additional advisory services when the negotiations get fully underway.

V. CONCLUSION

35. This progress report has been written at a stage of the negotiations when it is not possible to draw any meaningful forecast of what are likely to be the outcome of the negotiations. However, it would seem that the Successor Arrangement will not be a totally new convention. Rather, it is likely to be a mere improvement of the provisions of Lome II Convention. One thing that is nevertheless obvious is that the new negotiating platform has become more complex in view of certain recent developments in international trade, money and financial relations. The EEC as part of the Organization for Economic Co-operation and Development (OECD) are most likely to assume the same stand on many of the issues under negotiations as they have done within UNCTAD, GATT and the IMF/IBRD.

36. However, the ACP should continue to press for increased resources to be made available under the Successor Arrangement. Similarly, for increased product coverage both under Sysmin and Stabex. Furthermore, that products that do not necessarily meet the Stabex threshold condition as specified in Article 29 of the Convention should be considered for inclusion under the Successor Arrangement. Provisions should be worked in the system in order to ensure that it does not continue to remain a system of compensation but that it combines elements of stimulating the development process of the economies of ACP countries.

37. The African Group, members of the ACP will need to take into account and be guided at all stages of the negotiations by the relevant resolutions and decisions adopted by the organs of the OAU and ECA.

38. The Fortieth Ordinary Session of the Council of Ministers of the Organization of African Unity reiterated in a resolution that there is therefore the need for continued high quality technical backstopping and advisory services to the African group in order that they may be able to derive any meaningful benefits from the arrangement.